

# Request for City Council Action

Date: August 26, 2002

To: Council Member Lisa Goodman, Community Development Committee  
Council Member Barbara Johnson, Ways and Means/Budget Committee

Prepared by Tiffany Glasper, Phone 612-673-5221  
Presented by Jim White, Phone 673-5170

Approved by Chuck Lutz, MCDA Interim Executive Director \_\_\_\_\_

**Subject: The Lake Street Center Redevelopment Plan and the  
Lake Street Center Tax Increment Finance Plan**

**Previous Directives:** Not Applicable

**Ward:** 8

**Neighborhood Group Notification:** Powderhorn Park Neighborhood Association, Phillips West, Midtown Phillips, Central Neighborhood Improvement Association, Central Neighborhood Partnership, Chicago Lake Review Committee

All the above groups have been notified of the Agency's intent to create the Redevelopment Project Area and Tax Increment Financing District. Abbott Northwestern Hospital has created a citizen review group which includes representatives from the above listed groups. That group has approved the hospital's parking ramp plan.

**Consistency with *Building a City That Works*:** Not Applicable

**Comprehensive Plan Compliance:** Not Applicable

**Zoning Code Compliance:** Not Applicable

**Impact on MCDA Budget:** (Check those that apply) Not Applicable

- ☒ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

**Living Wage / Business Subsidy:** Not Applicable

**Job Linkage:** Not Applicable

**Affirmative Action Compliance:** Not Applicable

**RECOMMENDATION:**

**City Council Recommendation:** The Interim Executive Director recommends that

**the City Council Community Development Committee schedule a public hearing to be held on August 26, 2002 for consideration of the Lake Street Center Redevelopment Plan and the Lake Street Center Tax Increment Finance Plan. It is also recommended that the Ways & Means/Budget Committee review the Lake Street Center Redevelopment Plan and the Lake Street Center Tax Increment Finance Plan and submit its comments at the Community Development Committee public hearing scheduled for Monday, August 26, 2002.**

### **Background/Supporting Information**

During the 1997-98 Legislative Session, the City and MCDA sought and received special tax increment legislation to allow for the construction of public parking ramps and a longer than usual district duration to allow phasing of the project's completion over several years due to its sheer size. Special legislation approved as part of the State's 1998 Omnibus Tax Bill authorizes the Minneapolis Community Development Agency (MCDA) to establish a redevelopment district for the Sears building site in south Minneapolis.

The MCDA is seeking approval to implement this legislation for the Lake Street Center Redevelopment Project. The first phase of redevelopment will be the proposed Abbott Northwestern Hospital parking ramp at East 28<sup>th</sup> Street and Chicago Avenue South. The ramp is a necessary element for Abbott Northwestern's new heart hospital expansion. Additional future phases of this project include the renovation of the former Sears Tower to accommodate commercial and retail tenants. Affordable housing units are also a possible component of these future phases.

The Minneapolis Community Development Agency has prepared the plan documents and transmitted them to interested parties for review and comment on July 25, 2002. Comments have been requested and are due at the Agency by August 26, 2002.

It is requested that the Ways & Means/Budget Committee review the proposed Plans and submit its comments at the public hearing to be held by the Community Development Committee on August 26, 2002.

# **MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY**

## **Lake Street Center Redevelopment Plan**

**July 26, 2002**

Prepared by Project Planning and Finance Department, MCDA  
105 5th Avenue South, Minneapolis, Minnesota 55401

# **Lake Street Center Redevelopment Plan**

**July 26, 2002**

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## **Lake Street Center**

### **Redevelopment Plan**

**July 26, 2002**

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#### **Introduction**

Two plan documents have been prepared to assist a proposed phased commercial and retail project: this Lake Street Center Redevelopment Plan and the Lake Street Center Tax Increment Finance (TIF) Plan. The Lake Street Center Redevelopment Plan establishes a new Redevelopment Project Area, establishes objectives for the redevelopment of the Project Area, identifies land uses for the redevelopment of the Project Area, and authorizes the creation of a new tax increment finance district as a tool for carrying out portions of the redevelopment activities described therein.

#### **Background**

In 1979, the Chicago-Lake Business Association requested that the City Planning Department staff assist in producing a plan authorizing development priorities and strategies for Chicago-Lake. In 1981, the same business association requested that the City Council establish a Redevelopment Project in the area.

The Chicago-Lake Redevelopment Project was approved by the Minneapolis City Council on February 25, 1983. Subsequent modifications to the project included the creation of TIF District No. 36, approved by the Minneapolis City Council on December 20, 1985, established to facilitate the development of a 49,800 square foot medical building and 7,000 square foot space for Abbott-Northwestern Hospital.

TIF District No. 37, approved by the Minneapolis City Council on December 20, 1985, established the Chicago-Lake tax increment district and added four parcels of commercial frontage along Chicago and Lake Street.

Previous attempts to redevelop the Sears complex into a mixed use facility have been undertaken and failed since 1989. TIF District No. 37, has been decertified.

Portions of the property to be included in the new Lake Street Center Redevelopment Project are also located in the Chicago-Lake Redevelopment Project Area, which is an incorporated project within the Common Development and Redevelopment and Common Tax Increment Finance Plan (the Common Project).

The new Lake Street Center Redevelopment Project Area is a free standing project area. Although portions of the new project area overlays property included in both the Common Project and the Chicago-Lake Project Areas, the Lake Street Center Redevelopment Project is not incorporated into either of these existing project areas. Further, the new Lake Street Center Tax Increment Finance District is not being incorporated as a participating TIF District into the Common Project and will not be subject to the existing Common Project obligations and commitments.

During the 1997-98 Legislative Session, the City and MCDA sought and received special tax increment legislation to allow for the construction of public parking ramps and a longer than usual district duration to allow phasing of the project's completion over several years due to its sheer size. Special Legislation approved as part of the 1998 Omnibus Tax Bill authorizes the Minneapolis Community Development Agency (MCDA) to establish a redevelopment district for the Sears building site in south Minneapolis.

The MCDA is seeking approval to begin implementing this legislation for the Lake Street Center Redevelopment Project. The first phase of redevelopment will be the proposed Abbott Northwestern Hospital parking ramp at East 28<sup>th</sup> Street and Chicago Avenue South. The ramp is a necessary element for Abbott Northwestern's new heart hospital expansion.

Additional future phases of this project include the renovation of the former Sears Tower to accommodate commercial and retail tenants. Affordable housing units are also a possible component of these future phases.

## **REDEVELOPMENT PLAN**

### **I. Project Description**

The entire former Sears property is currently managed under contract with the MCDA, by United Properties' property management division.

In an agreement with Marquette Bank, the MCDA contemplates the sale of the northwest portion of the project to Abbott Northwestern Hospital for its employee parking needs. Abbott is currently focused on its heart hospital expansion and related multi-level, 1,150-space employee parking ramp. The remainder of the north portion of the property will be important as a potential expansion space for the hospital.

The MCDA believes that the remainder of the property north of the Midtown Greenway (and not part of the ramp project) can be left functioning as it is with its existing tenants until more is known about Abbott Northwestern Hospital's expansion plans.

The MCDA has facilitated the relocation of a single-family house at 2901 11<sup>th</sup> Avenue South to an MCDA-owned lot at 2815 10<sup>th</sup> Avenue South. The resulting vacant lot at 2901 11<sup>th</sup> Avenue South will be used as part of the adjacent 88-space surface parking lot. This operation will cease when Abbott Northwestern Hospital opens its proposed new multi-level 1,150-space ramp at 28<sup>th</sup> and Chicago. At that time, the 2901 11<sup>th</sup> parcel could be marketed for a housing development, replacing the original residential character of the block.

The proposed parking will include ramp management office space on the street level fronting on Chicago Avenue South.

A. Boundary of Redevelopment Project

Under the authority of the Housing and Redevelopment Authorities Act, approval of this Plan establishes a new Redevelopment Project as defined in Minnesota Statutes Section 469.002, Subdivision 14. The Project Area Report is attached as Exhibit #6 to this Redevelopment Plan.

The boundary of the Redevelopment Project is generally 11<sup>th</sup> Avenue South on the east, Chicago Avenue South on the west, the southerly right-of-way line of East Lake Street on the south, and the northerly right-of-way line of East 28<sup>th</sup> Street on the north.

Portions of the property to be included in the new Lake Street Center Redevelopment Project are also located in the Chicago-Lake Redevelopment Project Area, which is an incorporated project within the Common Development and Redevelopment and Common Tax Increment Finance Plan (the Common Project).

The new Lake Street Center Redevelopment Project Area is a free-standing project area. Although portions of the new project area overlay property included in both the Common Project and the Chicago-Lake Project Areas, the Lake Street Center Redevelopment Project is not incorporated into either of these existing project areas. Further, the new Lake Street Center Tax Increment Finance District is not being incorporated as a participating TIF District into the Common Project and will not be subject to the existing Common Project obligations and commitments.

B. Project Boundary Map

The Project Area Boundary Map is included in this Redevelopment Plan as Exhibit #1.

### C. Objectives of the Redevelopment Plan

The City of Minneapolis, together with the Minneapolis Community Development Agency, seeks to achieve the following objectives through the Lake Street Center Redevelopment Plan.

The primary project objective will be to identify and carry out commercial redevelopment activities in the Project Area which will revitalize the neighborhood. Toward this end, the following goals and objectives have been identified:

- (1) Secure additional parking for Abbott Northwestern Hospital's needs.
- (2) Facilitate the development and redevelopment of underutilized and/or blighted property in the Project Area
  - Revitalize/restore/renovate property in the area to create a safe, attractive and functional area
  - Improve the aesthetic and economic vitality of the business district
  - Contribute to the cultural and economic vitality of the neighborhood
  - Promote reinvestment, modernization and rehabilitation as needed
- (3) Develop affordable housing units.
- (4) Provide new commercial opportunities and spaces for commercial development.
- (5) Provide employment opportunities for residents from the surrounding neighborhoods.
- (6) Provide access to and from the Midtown Greenway to Lake Street.
- (7) Provide public improvements and infrastructure as needed.
- (8) Improve the tax base and tax revenue generating capacity of the City.

### D. Types of Redevelopment Activities



The objectives of the Redevelopment Plan will be accomplished through the following activities: parking ramp construction, rehabilitation/renovation of existing structures, construction of buildings and other improvements, provision of affordable rental housing, project and public improvements suitable to the needs of the project, environmental remediation, administration, and other related activities.

## **II. Land Use Plan**

### **A. Land Use Map**

The Land Use Map is included in this Redevelopment Plan as Exhibit #2. The Land Use Map reflects the general pattern of recommendations for future land use. The land use indicated is commercial, retail and residential.

### **B. Land Use Provisions and Requirements**

#### **1. Permitted Uses**

a. Residential uses shall conform to the Minneapolis Zoning Ordinance and generally limited to those areas specified as residential on the Land Use Map (Exhibit #2).

#### **b. Commercial**

Commercial uses shall conform to the Minneapolis Zoning Ordinance and shall be limited to those areas specified as commercial on the Land Use Map (Exhibit #2).

#### **c. Industrial**

Industrial uses shall conform to the Minneapolis Zoning Ordinance and shall be limited to those areas specified as industrial on the Land Use Map (Exhibit #2).

#### **d. Parking**

#### **2. Additional Regulations and Controls or Restrictions to be Imposed on the Sale of Acquired Land**

All new development on land acquired by the Agency shall conform to the applicable state and local codes and ordinances and the requirements of this Redevelopment Plan, including the provisions of the Minneapolis Zoning Ordinance. In cases where codes or ordinances are more restrictive than this Redevelopment Plan, the more restrictive will apply.

3. Period During Which Land Use Provisions and Requirements will be in Effect

The requirements and provisions of Section II. B. of this Redevelopment Plan shall apply to all of the properties acquired in the Project Area except where strict compliance thereto would in the judgment of the Agency either not be in the best interest of the Redevelopment Project or the City, or would not contribute to the achievement of the objectives of this Redevelopment Plan. These requirements shall remain in effect for twenty years from the date of conveyance of the disposition parcels.

### **III. Project Proposals**

The Minneapolis Community Development Agency took title to the former Sears tower property at Chicago and Lake Street at the end of calendar year 2001. The property includes the 1928 Tower complex, the 1964 Annex, the 1979 MDI building, and three large surface parking lots.

In an agreement with Marquette Bank, the MCDA contemplates the sale of the northwest portion of the project to Abbott Northwestern Hospital for its employee parking needs. Abbott is currently focused on its heart hospital expansion and related parking ramp. The remainder of the north portion of the property will be important as a potential expansion space for the hospital.

The MCDA believes that the remainder of the property north of the Midtown Greenway (and not part of the ramp project) can be left functioning as it is with its existing tenants until more is known about Abbott Northwestern Hospital's expansion plans.

A. Land Acquisition Map Not Applicable

B. Land Acquisition

There is no property acquisition anticipated other than that which is referred to in Section III.

C. Rehabilitation

Property that is acquired under this Redevelopment Plan may be rehabilitated or sold for rehabilitation when such rehabilitation would serve to achieve the objectives of this Redevelopment Plan.

D. Redevelopers' Obligations

The general requirements to be imposed upon the developers, their successors or assigns, will be established in development agreements between the Agency and each developer. Specific terms and conditions of a development agreement between the Agency and the developer will be indicated in the development agreement.

**IV. Relocation**

There is no anticipated relocation of businesses or tenants associated with this project.

**V. Official Action to Carry Out the Redevelopment Plan**

Minnesota law requires that the Minneapolis City Planning Commission review this Redevelopment Plan and that its written opinion, if any, accompany the Redevelopment Plan when it is officially submitted to the City Council for approval (Minnesota Statutes, Section 469.027). In approving the Redevelopment Plan, the City Council is responsible for carrying out those elements of the Redevelopment Plan requiring official action by the local governing body for the City.

**VI. Procedure for Changes in Approved Redevelopment Plan**

This Redevelopment Plan may be modified as provided in Minnesota Statutes, Section 469.029, Subdivision 6, as follows:

"A redevelopment plan may be modified at any time. The modification must be adopted by the authority and the governing body of the political subdivision in which the project is located, upon the notice and after the public hearing required for the original adoption of the redevelopment plan. If the authority determines the necessity of changes in an approved redevelopment plan or approved modification thereof, which changes do not alter or affect the exterior boundaries, and do not substantially alter or affect the general land uses established in the plan, the changes shall not constitute a modification of the

redevelopment plan nor require approval by the governing body of the political subdivision in which the project is located."

Exhibit #1



# **CITIZEN PARTICIPATION REPORT**

## **Lake Street Center Redevelopment Plan**

**July 26, 2002**

Final plan documents will be sent to the Central Neighborhood Partnership, the Central Neighborhood Improvement Association, the Powderhorn Park Neighborhood Association, the Phillips West Neighborhood Group, the Chicago Lake Business Association, the Chicago Lake Review Committee, the Midtown Phillips Neighborhood Group and others, for a thirty day review period. These groups will be given the opportunity to review and comment on the Lake and Bloomington Redevelopment Plan prior to consideration of the Plan by the City Council and the Minneapolis Community Development Agency Board of Commissioners.

The Minneapolis Community Development Agency will continue to work with these groups throughout the implementation of the Redevelopment Plan.

The newly formed Chicago Lake Review Committee, which includes residents, business owners and representatives from other neighborhood groups has been meeting to discuss the progress of this project for the last several months.

A multi-block use covenant has been executed indicating the neighborhoods' consent to the proposed expansion of Abbott Northwestern Hospital.

**MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY  
AFFIRMATIVE ACTION POLICY  
Lake Street Center Redevelopment Plan**

**July 26, 2002**

It is the policy of the Minneapolis Community Development Agency to provide equal employment opportunities without regard to race, color, national origin, relation, sex, age, disability, affectional preference, or status with regard to public assistance to all applicants for employment and all employees. This pledge applies to all areas of employment including recruitment, employment, job assignment, training, promotion, transfers, rate of pay, and all other forms of compensation and benefits.

The employment policies and practices of the Minneapolis Community Development Agency will ensure that all employees and applicants for employment are treated equally and that no distinction is made in its employment practices, except on the basis of merit, because of race, color, national origin, religion, sex, age, disability, affectional preference, or status with regard to public assistance.

Developers and construction contractors who participate in redevelopment activities will be required to practice affirmative action and fulfill the Minneapolis Community Development Agency Affirmative Action checklist goals, and to develop and implement women and minority interest in business enterprise plans.



**Exhibit # 5**

**ENVIRONMENTAL REVIEW  
Lake Street Center Redevelopment Plan**

July 26, 2002

The Minneapolis Community Development Agency will comply with all applicable local, state and federal regulations and procedures regarding the assessment of potential environmental impacts resulting from project activities.

## **PROJECT AREA REPORT & DOCUMENTATION OF BLIGHT**

### **Lake Street Center Redevelopment Plan and the Lake Street Center Tax Increment Finance Plan July 26, 2002**

During the 1997-98 Legislative Session, the City and MCDA sought and received special tax increment legislation (see Exhibit #3 attached) to allow for the construction of public parking ramps and a longer than usual district duration to allow phasing of the project's completion over several years due to its sheer size. Specifically, Minnesota Laws, Chapter 389, Section 19, Subdivision 3 states:

*"Notwithstanding the provisions of Minnesota Statutes, section 489.176, subdivision 1b., no tax increment may be paid to the authority after 18 years from the date of receipt by the authority of the first increment generated from the final phase of redevelopment. In no case may increments be paid to the authority after 30 years from approval of the tax increment plan. "Final phase of redevelopment" means that phase of redevelopment activity which completes the rehabilitation of the Lake Street site."*

The MCDA is seeking approval to begin implementing this legislation for the Lake Street Center Redevelopment Project. The first phase of redevelopment will be the proposed 1,150-space Abbott Northwestern Hospital ramp at East 28<sup>th</sup> Street and Chicago Avenue South. The ramp is a necessary element for Abbott Northwestern Hospital's new heart hospital expansion.

#### Findings for the Redevelopment Project

The Lake Street Center Redevelopment Project (the "Redevelopment Project") qualifies as a redevelopment project as defined in the Minnesota Housing and Redevelopment Authorities Act (Minnesota Statutes, Section 469.002, Subdivision 14 and 16).

An area-wide assessment for eligibility for purposes of establishing a redevelopment project was conducted in the 1980s and 1990s. It was found that the Redevelopment Project Area (the "Project Area") is characterized by significant blighting influences caused by the traffic congestion on East Lake Street, inadequate parking, incompatible land uses, the age and condition of structures, all of which made it difficult to reuse much of the real property and which may have contributed to and prevented normal development of the land in the past.

#### Findings for Redevelopment TIF District

In addition to the blighting influences plaguing the area, the Redevelopment Project Area also qualifies as a Redevelopment TIF District under Minnesota Statute 469.174-179, as amended, and special legislation included in this report as Exhibit #3.

The area to be included in the redevelopment tax increment financing district meets the conditions mandated by Minnesota Statutes and those conditions are reasonably distributed throughout the district.

Parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance. The property consists of vacant, underused, underutilized, and contains defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

Documentation supporting these findings, including the special legislation, is on file in the offices of the Minneapolis Community Development Agency, Suite 600, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota, 55401.

Findings to this affect will be included in the resolutions considered by the City Council of the City of Minneapolis at the time that these plan documents are offered for approval.

## Preliminary Budget and Method of Financing

**Lake Street Center Redevelopment Plan**  
**July 26, 2002**

**TIF District Budget – Phase I Redevelopment**

Sources	Up-Front	Over Time
Developer Funds	\$6,716,800	---
Tax Increment	---	\$14,936,017
<b>Total Sources. . . . .</b>	\$6,716,800	\$14,936,017
<b>Uses</b>		
Acquisition	---	---
Parking	\$6,716,800	---
Demolition	---	---
Environmental Remediation	---	---
Building Rehabilitation	---	---
Pay-As-You-Go Note Principal	---	6,716,800
Pay-As-You-Go Note Interest	---	6,725,594
MCDA Administration	---	1,493,017
<b>Total Uses. . . . .</b>	<b>\$6,716,800</b>	<b>\$14,936,017</b>

*\*Tax Increment not pledged as a "source"*

It is anticipated that up-front public redevelopment costs will be financed with pay-as-you-go tax increment financing. With pay-as-you-go tax increment financing, the developer finances eligible public redevelopment costs under contract with the City or MCDA, in exchange for a note that pledges repayment of these costs, with interest, out of the tax increment revenue generated by the project. This approach reduces the financing risks for the City, since the developer is only fully reimbursed if sufficient tax increment revenue is actually generated by the new development.

# **MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY**

## **Lake Street Center Tax Increment Finance Plan**

**July 26, 2002**

Prepared by  
Project Planning & Finance Department  
MCDA  
105 5<sup>th</sup> Avenue South  
Minneapolis, MN 55401

**Lake Street Center  
Tax Increment Finance Plan  
July 26, 2002**

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Boundary Map

Project Area Report and Documentation of Blight

## Special Legislation

**LAKE STREET CENTER  
TAX INCREMENT FINANCE PLAN  
July 26, 2002**

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**Introduction**

The Lake Street Center Redevelopment Plan and the Lake Street Center Tax Increment Finance (TIF) Plan (collectively, “the Plans”) have been prepared to authorize the creation of a new Redevelopment Tax Increment Finance (TIF) district.

The Lake Street Center TIF plan authorizes public redevelopment activities and expenditures, establishes a new redevelopment TIF district and a budget for eligible expenditures. Tax increment will be used to pay a portion of the eligible public redevelopment costs associated with the project, in addition to MCDA administrative costs.

Portions of the property to be included in the new Lake Street Center Redevelopment Project and Tax Increment Finance District are also located in the Chicago-Lake Redevelopment Project Area, which is an incorporated project within the Common Development and Redevelopment and Common Tax Increment Finance Plan (the Common Project).

The project area of the Lake Street Center Redevelopment Plan and the Lake Street Center TIF District are not being incorporated into the Common Project and will not be subject to the existing Common Project obligations and commitments. The Lake Street Center Redevelopment Project Area and the Lake Street Center Redevelopment TIF District instead are a free-standing overlay project and district. The Lake Street Center Redevelopment TIF Plan does not overlay the existing TIF District.

The Lake Street Center Redevelopment Project Area is located in south Minneapolis approximately two miles from the downtown core, at the juncture of the Phillips, Central and Powderhorn Park neighborhoods. The Redevelopment Project Area occupies 22 separate parcels totaling approximately 20 acres, including vacated streets and alleys. The area is currently plagued by crime, a severe lack of adequate parking, a suffering commercial center and an absence of streetscape improvements that would ultimately improve both vehicular and pedestrian traffic flow and improve the overall image of the area.

The redevelopment of this area would turn a currently unproductive and suffering commercial node into an aesthetically pleasing, useful and flourishing commercial resource for the residents of the Powderhorn Park, Central and Phillips neighborhoods. The proposed phased redevelopment of this area will facilitate renovation of the former Sears Tower, a prominent city landmark, and subsequent relocation of established and emerging businesses. The first phase of redevelopment is construction



of a 5-level 1,150-space parking ramp to provide adequate parking for Abbott Northwestern Hospital employees and reduce adverse vehicular and pedestrian traffic flow.

The Lake Street Center TIF District is being established under the plan, powers and authority of the Lake Street Center Redevelopment Project. This plan authorizes the creation of the Lake Street Center Tax Increment Financing (“TIF”) District within the Lake Street Center Redevelopment Project Area.

### **Special Tax Increment Legislation**

During the 1997-98 Legislative Session, the City and MCDA sought and received special tax increment legislation to allow for the construction of public parking ramps and a longer than usual district duration to allow phasing of the project’s completion over several years due to its sheer size. Specifically, Minnesota Laws, Chapter 389, Section 19, Subdivision 3 states:

*“Notwithstanding the provisions of Minnesota Statutes, section 489.176, subdivision 1b., no tax increment may be paid to the authority after 18 years from the date of receipt by the authority of the first increment generated from the final phase of redevelopment. In no case may increments be paid to the authority after 30 years from approval of the tax increment plan. “Final phase of redevelopment” means that phase of redevelopment activity which completes the rehabilitation of the Lake Street site.”*

The MCDA is seeking approval to begin implementing this legislation for the Lake Street Center Redevelopment Project. The first phase of redevelopment will be the proposed 1,150-space Abbott Northwestern Hospital ramp at East 28<sup>th</sup> Street and Chicago Avenue South. The ramp is a necessary element for Abbott Northwestern Hospital’s new heart hospital expansion.

#### **I. Tax Increment District Boundary**

This plan establishes a new redevelopment tax increment financing district: The Lake Street Center TIF District, located within the Lake Street Center Redevelopment Project Area.

The new TIF District consists of 22 individual tax parcels and adjacent streets and alleys as shown in Exhibit #1. The tax parcels that are included within the TIF District are listed below:

<b><u>PID #</u></b>	<b><u>Address</u></b>
35-029-24-34-0036	1010 Lake Street E
35-029-24-34-0101	811 28 <sup>th</sup> Street E
35-029-24-34-0100	2805 Chicago Ave S
35-029-24-34-0099	2807 Chicago Ave S

35-029-24-34-0098	2811 Chicago Ave S
35-029-24-34-0097	2813 Chicago Ave S
35-029-24-34-0094	2833 Chicago Ave S
35-029-24-34-0095	2855 Chicago Ave S
35-029-24-34-0042	2941 Chicago Ave S
35-029-24-34-0103	800 Lake Street E
35-029-24-34-0104	810 Lake Street E
35-029-24-34-0040	818 Lake Street E
35-029-24-34-0039	826 Lake Street E
35-029-24-34-0038	2843 Elliot Ave S
35-029-24-34-0093	2800 10 <sup>th</sup> Ave S
35-029-24-34-0035	2901 10 <sup>th</sup> Ave S
35-029-24-33-0189	2408 Chicago Ave S
35-029-24-33-0118	723 28 <sup>th</sup> Street E
35-029-24-33-0119	727 28 <sup>th</sup> Street E
35-029-24-33-0120	731 28 <sup>th</sup> Street E
35-029-24-31-0111	924 28 <sup>th</sup> Street E
35-029-24-31-0110	928 28 <sup>th</sup> Street E
35-029-24-31-0112	916 28 <sup>th</sup> Street E

The location and boundary of the TIF District are shown on the attached map (Exhibit # 1).

The documentation of project and site eligibility, which is appended as Exhibit #2 to this plan, provides information from the legislative action demonstrating that the Lake Street Center project is eligible as a TIF district to finance a portion of the eligible public project costs including the proposed parking ramp.

## II. Statement of Objectives

The purpose of this plan is to authorize public development and mixed-use redevelopment activity and financial assistance to facilitate the development of the Lake Street Center project, which is necessary to increase available parking options in the area, improve business and commercial opportunities, improve the aesthetic nature of the area, perform renovation of the Sears Tower, and to provide needed housing and community development opportunities.

These goals and objectives are outlined in detail in Section I of the Lake Street Center Redevelopment Plan.

## III. Statement of Development Program

#### A. Description of Development Program

The Minneapolis Community Development Agency took title to the former Sears tower property at Chicago and Lake Street at the end of calendar year 2001. The property includes the 1928 Tower complex, the 1964 Annex, the 1979 MDI building, and three large surface parking lots.

The entire former Sears property is currently managed, under contract with the MCDA, by United Properties' property management division.

In an agreement with Marquette Bank, the MCDA contemplates the sale of the northwest portion of the project to Abbott Northwestern Hospital for its employee parking needs. Abbott is currently focused on its heart hospital expansion and related 1,150-space parking ramp. The remainder of the north portion of the property will be important as a potential expansion space for the hospital.

The MCDA believes that the remainder of the property north of the Midtown Greenway (and not part of the ramp project) can be left functioning as it is with its existing tenants until more is known about Abbott Northwestern Hospital's expansion plans.

The MCDA has facilitated the relocation of a single family house at 2901 11<sup>th</sup> Avenue South to an MCDA-owned lot at 2815 10<sup>th</sup> Avenue South. The resulting vacant lot at 2901 11<sup>th</sup> Avenue South will be used as part of the adjacent 88-space parking lot. This operation will cease when Abbott Northwestern Hospital opens its proposed new 1,150-space, multi-level ramp at 28<sup>th</sup> and Chicago. At that time, the parcel could be marketed for a housing development, replacing the original residential character of the block.

#### B. Property That May Be Acquired

The MCDA does not anticipate any property acquisition associated with the Lake Street Center Project.

#### C. Development Activity for which Contracts Have Been Signed

As of the date of the preparation of this TIF Plan, the Minneapolis Community Development Agency has not yet entered into any redevelopment contracts related to these activities. It is anticipated that several redevelopment contracts will be executed by the end of 2002.

#### D. Other Planned Development Activity

No other future development activity has been identified at this time, except that which is described above.

#### IV. Description of Financing

These plan documents have been prepared to authorize public redevelopment activities and financial assistance to facilitate the development of the Lake Street Center Redevelopment Project.

The MCDA is one of several public partners working to facilitate and help finance the redevelopment of the former Sears Tower and the construction of a parking ramp for Abbott Northwestern Hospital's new heart hospital expansion.

Tax increment assistance will be provided to Phase I of the project through the issuance of a pay-as-you-go TIF note.

The budget contained in this plan does not identify all of the sources and uses of private and public funds that will be invested in this project, but rather identifies only the tax increment budget for Phase I of the project. Future phases will require an amendment to this plan's budget. Some of these financial commitments are still being negotiated at this time.

This plan authorizes the creation of a Redevelopment Tax Increment Financing District, in accordance with specific legislation referred to earlier, to finance a portion of the eligible public redevelopment costs. The preliminary budget in this plan identifies the maximum amount of project costs that may be financed with tax increment revenue from the Lake Street Center Tax Increment Financing District as it pertains to Phase I of the project.

Since the tax increment assistance is being provided as gap funding to provide the minimum reasonable level of assistance necessary to complete the project, the exact amount of the required assistance will not be known until the other sources of financing have also been committed, and development agreements are prepared.

The figures, sources and methods of financing identified in this finance plan are based on the best estimates available at the time of writing. Slight changes in these figures can be expected. However, in the event that significant changes affect the structure or feasibility of this TIF Plan, or result in an increase in the project costs of this project beyond the amounts listed herein, a modification to

this plan might be necessary. Such a modification would require the same approval process as the original approval of this tax increment finance plan.

#### A. Project Costs

The current estimate of the maximum project costs to be financed by tax increment revenues from the Lake Street Center Tax Increment Financing District is \$6.7 million. Anticipated public expenditures are listed below. It is anticipated at this time that the tax increment revenues from the Lake Street Center TIF District will be utilized primarily for the construction of a new multi-level parking ramp.

#### **Tax Increment District Budget – Phase I**

<b>Sources</b>	<b>Up-Front</b>	<b>Over Time</b>
Developer Funds	\$6,716,800	---
Tax Increment	---	\$14,936,017
<b>Total Sources</b>	\$6,716,800	\$14,936,017
<b>Uses</b>		
Parking	\$6,716,800	---
Pay-As-You-Go Note Principal	---	\$6,716,800
Pay-As-You-Go Note Interest	---	\$6,725,594
MCDA Administration	---	\$1,493,017
<b>Total Uses</b>	<b>\$6,716,800</b>	<b>\$14,936,017</b>

#### B. Bonded Indebtedness to be Incurred

For Phase I of the Lake Street Center Redevelopment Project, no bonded indebtedness is anticipated. However, future phases of the project may require the issuance of bonds retired with tax increment funds.

It is anticipated that the tax increment financing assistance to the Lake Street Center project from the Lake Street Center TIF District will be in the form of pay-as-you-go financing for Phase I. With pay-as-you-go tax increment financing, the developer or a third party lender finances the agreed upon tax increment eligible public redevelopment costs under contract with the MCDA in exchange for a note that pledges repayment of these costs, with interest, out of the tax increment revenue generated by the project. It is not anticipated that tax increment bonds will be issued for this project; however, the Agency preserves the right to issue such bonds in an amount not to exceed \$6.7 million.

### C. Sources of Revenue

Tax increment generated within the Lake Street Center TIF District, will be used to pay the eligible public development and redevelopment costs for Phase I of this project.

### D. Original Net Tax Capacity

Twenty-two tax parcels are included in the Lake Street Center TIF District. Pursuant to Minnesota Statutes, Sections 469.174, Subdivision 7 and Sections 469.177, Subdivision 1, the Original Net Tax Capacity as certified for the Lake Street Center TIF District will be based upon the estimated market values (EMV) placed on the property by the City Assessor in 2002 for taxes payable (TP) 2003.

The tax parcels included in the TIF district are taxed with the Estimated Market Value (EMV) of \$18,063,800. This figure excludes properties with an estimated market value, but because they are publicly owned and are not paying taxes. Special legislation allows the City to reduce the Estimated Market Value to \$0 once the MCDA certifies to the County Auditor that it has entered into a redevelopment or other agreement for rehabilitation of the site or remediation of hazardous substances. Upon project completion and property reclassification it is estimated that the original net tax capacity of the TIF District will be \$360,526.

### E. Estimated Captured Net Tax Capacity of the Tax Increment Financing District at Completion

Upon project completion, it is anticipated that the market value of taxable property in the District will increase by about \$18,063,800; from \$0 to approximately \$18,063,800. This will generate a total net tax capacity of approximately \$360,526; and an estimated captured net tax capacity of \$360,526. Based upon a projected local tax rate of 147.663%, this will generate an estimated annual tax increment payment of \$530,447, excluding deduction for State Auditor Fee.

### F. Duration of District

The Lake Street Center TIF District is a Redevelopment Tax Increment Financing District. According to the special legislation referred to above and notwithstanding the provisions of Minnesota Statutes, Section 489.176, Subdivision 1b, no tax increment may be paid to the authority after 18 years from the date of receipt by the authority of the first increment generated from the final phase of redevelopment. In no case may increments be paid to the authority after 30 years from the approval of the tax increment plan. "Final phase of

redevelopment” means that phase of redevelopment activity which completes the rehabilitation of the Lake Street site.

#### G. Fiscal Disparities Election

It is the intent of the MCDA and the City of Minneapolis that the entire fiscal disparity contribution required of the City for development occurring within this district be taken from outside the Lake Street Center TIF District. The election provided in Minnesota Statutes Section 469.177, Subdivision 3, paragraph (a) of the Minnesota TIF Act is elected.

#### H. Original Tax Capacity Rate

The Original Tax Capacity Rate for this district will be the local tax capacity rate for taxes payable (TP) 2003.

For purposes of estimating the fiscal impact of this tax increment financing district on other taxing jurisdictions, the local tax rate for TP 2002, which is 147.663%, has been utilized (See Section V for a breakdown).

#### I. Permit Activity and Prior Planned Improvements

The Lake Street Center Development Program does not include any prior planned improvements that would have been constructed without the approval of this project, and the tax increment and other public financial assistance to be received.

The letter requesting certification by Hennepin County of the Lake Street Center TIF District will be accompanied by a list of all of the building permits issued for the properties included in this district during the eighteen months immediately preceding approval of this tax increment financing plan, as mandated by Minnesota Statutes, Section 469.175, Subdivision 3.

#### J. Affordable Housing and Expenditures Outside TIF District

Pursuant to M.S. Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of M.S. Section 469.173, Subd. 2, paragraph (d). However, special legislation included here as Exhibit #3, states:

*“Increments from the district established under this section may only be expended on improvements and activities within or directly in aid of the district and on administrative expenses related to the district.”*

V. Type of Tax Increment Financing District

The proposed Lake Street Center Tax Increment Finance District is a Redevelopment District pursuant to Minnesota Statutes, Section 469.174, Subdivision 10 (a) (1) and the special legislation (Exhibit #3) referred to previously. Additional information about the physical conditions in the proposed district and the eligibility of this area for inclusion within a Redevelopment TIF district can be found in the Project Area Report and Documentation of Blight which is appended as Exhibit #2 to this Plan.

VI. Estimated Impact on Other Taxing Jurisdictions

It is the position of the Minneapolis Community Development Agency and the City of Minneapolis that the redevelopment of the blighted, deteriorated and underutilized property would not occur as proposed without the tax increment financing assistance to be provided.

Nevertheless, if it is assumed for purposes of analysis that the proposed development would occur without the tax increment financing assistance and that the estimated captured tax capacity generated by the development would under those circumstances be immediately available to the taxing jurisdictions, then the estimated annual impact on the taxing jurisdictions would be as follows:

<b>Taxing Jurisdictions</b>	<b>Tax Capacity Rate Payable 2001</b>	<b>Property Tax Revenues Resulting from \$360,526 Captured Tax Capacity</b>
City of Minneapolis	59.0540	\$212,905
Hennepin County	44.7480	161,328
Special School District #1	32.9610	118,833
Other Taxing Jurisdictions	<u>10.900</u>	<u>39,297</u>
Total	147.663%	<b>\$532,364</b>

VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance

Minnesota Statutes, Section 469.175, Subdivision 3, provides that prior to the approval of a tax increment financing plan, the City Council must find that the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary. Further,



that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan.

It is the position of the Minneapolis Community Development Agency and the City of Minneapolis that the private redevelopment of the property included in the TIF District could not occur without public participation and financial assistance. This conclusion is based upon the high costs of site preparation for the existing blighted property, including the extraordinary costs of rehabilitation and conversion, pollution cleanup if necessary, and the impact of these costs upon the feasibility of new private development or rehabilitation.

An additional factor makes the redevelopment of this site and the rehabilitation of the proposed project infeasible without public assistance. One of the public purposes accomplished by this redevelopment project is the conversion of a deteriorating property into a stable and viable long-term reuse that is not possible without public assistance. The rehabilitation and conversion of this property generates extraordinary construction costs that increase the financing gap for the project, and requires public financing assistance. Another public purpose is the job creation and economic benefit to the neighborhood. Abbott Northwestern Hospital is currently licensed for 782 beds on the main campus. Of those, the hospital currently operates 627 beds.

When the nearby heart hospital expansion is completed, the hospital will operate a total of 689 beds. In 2010, five years after the heart hospital expansion, they estimate they will be operating between 758 and 782 beds. Further, taking into account a ratio of 8.3 full time employees (FTEs) per bed, the following indicates projected growth in jobs:

627 beds = 5,204 FTEs

689 beds = 5,717 FTEs

782 beds = 6,490 FTEs

In addition, the investment in this campus will also generate more local spending. An economic impact study in commissioned in 1995, estimated that the hospital, physicians, staff, visitors and patients spend about \$6 million in Phillips neighborhood each year. The same study estimated annual spending of \$9.3 million by these groups in neighboring Powderhorn.

During the period 1999-2001, Abbott Northwestern Hospital's employee base increased from 566 employees to 962 employees. Most of this 70% increase was

in the south Minneapolis 55407 zip code area, indicating that Abbott Northwestern Hospital provides living wage jobs to the residents in the surrounding neighborhoods.

Tax increment financing is essential to closing the remaining financing gap in the project. Without the use of tax increment financing the Lake Street Center project could not reasonably be expected to occur solely through private investment within the reasonably foreseeable future. The former Sears Tower has been the subject of many unsuccessful attempts to attract and sustain a viable redevelopment since the Sears company vacated the site in 1994.

The creation of the Lake Street Center TIF District is necessary in order to finance a portion of the eligible public redevelopment activities necessary to implement the Development Program of the Lake Street Center Redevelopment Project, detailed in the redevelopment plan.

Therefore, creation of this tax increment financing district is in the public interest because it will facilitate the development of a mixed-use redevelopment project, which will provide needed parking for Abbott Northwestern Hospital. Other public benefits will include blight remediation, tax base enhancement, economic integration, increased neighborhood livability, and an increase in jobs. Findings to this affect will be included in the resolutions considered by the City Council of the City of Minneapolis at the time that these plan documents are approved.

The calculations necessary to pass the "Market Value" test are contained on page 13 of this plan. As shown, the public redevelopment activity, expenditures, and market values associated with the Lake Street Center Project results in a series of calculations and figures that clearly passes the market value test.

The MCDA and City of Minneapolis have determined that the proposed redevelopment project to be financed in part by this TIF District would not occur solely through private investment within the foreseeable future, based on previous unsuccessful attempts to redevelop the property an the length of time the property has been nearly completely vacant and underutilized.

#### VIII. Modifications to Tax Increment Finance Plans

This Tax Increment Finance Plan may be modified, provided that such modifications shall be adopted by the Board of Commissioners of the MCDA and the City Council under the provisions of the Tax Increment Financing Act - Minnesota Statutes, Section 469.175, Subdivision 4.

The Market Value Test goes here. Contact the MCDA to view the Market Value Test

**Exhibit # 1**



## **PROJECT AREA REPORT & DOCUMENTATION OF BLIGHT**

### **Lake Street Center Redevelopment Plan and the Lake Street Center Tax Increment Finance Plan July 26, 2002**

During the 1997-98 Legislative Session, the City and MCDA sought and received special tax increment legislation (see Exhibit #3 attached) to allow for the construction of public parking ramps and a longer than usual district duration to allow phasing of the project's completion over several years due to its sheer size. Specifically, Minnesota Laws, Chapter 389, Section 19, Subdivision 3 states:

*"Notwithstanding the provisions of Minnesota Statutes, section 489.176, subdivision 1b., no tax increment may be paid to the authority after 18 years from the date of receipt by the authority of the first increment generated from the final phase of redevelopment. In no case may increments be paid to the authority after 30 years from approval of the tax increment plan. "Final phase of redevelopment" means that phase of redevelopment activity which completes the rehabilitation of the Lake Street site."*

The MCDA is seeking approval to begin implementing this legislation for the Lake Street Center Redevelopment Project. The first phase of redevelopment will be the proposed 1,150-space Abbott Northwestern Hospital ramp at East 28<sup>th</sup> Street and Chicago Avenue South. The ramp is a necessary element for Abbott Northwestern Hospital's new heart hospital expansion.

#### Findings for the Redevelopment Project

The Lake Street Center Redevelopment Project (the "Redevelopment Project") qualifies as a redevelopment project as defined in the Minnesota Housing and Redevelopment Authorities Act (Minnesota Statutes, Section 469.002, Subdivision 14 and 16).

An area-wide assessment for eligibility for purposes of establishing a redevelopment project was conducted in the 1980s and 1990s. It was found that the Redevelopment Project Area (the "Project Area") is characterized by significant blighting influences caused by the traffic congestion on East Lake Street, inadequate parking, incompatible land uses, the age and condition of structures, all of which made it difficult to reuse much of the real property and which may have contributed to and prevented normal development of the land in the past.

### Findings for Redevelopment TIF District

In addition to the blighting influences plaguing the area, the Redevelopment Project Area also qualifies as a Redevelopment TIF District under Minnesota Statute 469.174-179, as amended, and special legislation included in this report as Exhibit #3.

The area to be included in the redevelopment tax increment financing district meets the conditions mandated by Minnesota Statutes and those conditions are reasonably distributed throughout the district.

Parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance. The property consists of vacant, underused, underutilized, and contains defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

Documentation supporting these findings, including the special legislation, is on file in the offices of the Minneapolis Community Development Agency, Suite 600, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota, 55401.

Findings to this affect will be included in the resolutions considered by the City Council of the City of Minneapolis at the time that these plan documents are offered for approval.





Pertinent excerpts from

## Minnesota Session Laws -- 1998

### Chapter 389 – H.F. No. 3840

Sec. 19. [REDEVELOPMENT DISTRICT FOR LAKE STREET PROJECT.] Subdivision 1. [AUTHORIZATION.] Upon approval of the governing body of the city of Minneapolis by resolution, the Minneapolis community development agency may establish for the Lake Street project a redevelopment tax increment financing district with phased redevelopment. The district is subject to Minnesota Statutes, sections 469.174 to 469.179, as amended, except as provided in this section.

Subd. 2. [ORIGINAL NET TAX CAPACITY.] Notwithstanding Minnesota Statutes, section 469.174, subdivision 7, the original net tax capacity of the district, as of the date the authority certifies to the county auditor that the authority has entered into a redevelopment or other agreement for rehabilitation of the site or remediation of hazardous substances, is zero.

Subd. 3. [DURATION OF DISTRICT.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, no tax increment may be paid to the authority after 18 years from the date of receipt by the authority of the first increment generated from the final phase of redevelopment. In no case may increments be paid to the authority after 30 years from approval of the tax increment plan. "Final phase of redevelopment" means that phase of redevelopment activity which completes the rehabilitation of the Lake Street site.

Subd. 4. [REMOVAL OF HAZARDOUS SUBSTANCES.] For purposes of the three-year activity rule under Minnesota Statutes, section 469.176, subdivision 1a, and the four-year action requirement under Minnesota Statutes, section 469.176, subdivision 6, the removal of hazardous substances from the site shall constitute a qualifying activity.

Subd. 5. [FIVE-YEAR RULE.] The five-year period under Minnesota Statutes, section 469.1763, subdivision 3, is extended to ten years.

Subd. 6. [NO POOLING AUTHORITY.] Notwithstanding the provisions of Minnesota Statutes, section 469.1763, increments from the district established under this section may only be expended on improvements and activities within or directly in aid of the district and on administrative expenses related to the district.

Subd. 7. [EFFECTIVE DATE.] This section is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 2.